

Change of Control Payment

CareFirst

- ☐ Contractual Obligation
- ☐ Currently Pays Out Upon Termination in Connection with a Change of Control and Substantial Diminution of Duties
- ☐ Creates an Incentive to Leave the Company
- ☐ Utilize Merger Incentive in Exchange for Deferral of Payment
- ☐ Post-closing Liability



Change of Control Payment

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Executives with Contracts

\$

Payment Triggers

Multiple of Salary plus Annual Incentive	\$ 12,168,207	Double Trigger upon COC/Termination
Pro-rated Current Year Incentive	\$ <u>416,061</u>	Double Trigger upon COC/Termination
Subtotal COC Cash Payments	\$ 12,584,268	
Personal & Health Benefits	\$ <u>514,957</u>	Double Trigger upon COC/Termination
Total COC Cash & Benefits	\$ 13,099,225	

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Merger Incentive

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- ☐ Utilize Merger Incentive in Exchange for Deferral of Payment to Future Date (1-2 years)
 - Remove Incentive for Executive to Leave Immediately Upon COC
 - Promote Successful Transition and Company Stability
 - Recognize a Transaction Favorable to Stakeholders
- ☐ The consideration given in exchange for:
 - Deferring Change of Control Termination by Executive
 - Postponing SERP and Qualified Plan Payouts
- ☐ Requires an Amendment to Current Employment Contracts
- ☐ Pre-Closing Liability



Merger Incentive

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Participants	#	% of Price	Total Payout
CEO	1	0.7%	\$ 9,100,000
Executive Vice Presidents	<u>6</u>	<u>1.2%</u>	<u>\$ 15,600,000</u>
	7	1.9%	\$ 24,700,000

Purpose of Incentive:

- ☐ *Consideration to Executive for Deferring Change of Control, SERP and Qualified Plan Payouts*
- ☐ *Remove Incentive for Executive to Leave Upon COC*
- ☐ *Incentive to Close a Favorable Transaction*



Merger Incentive

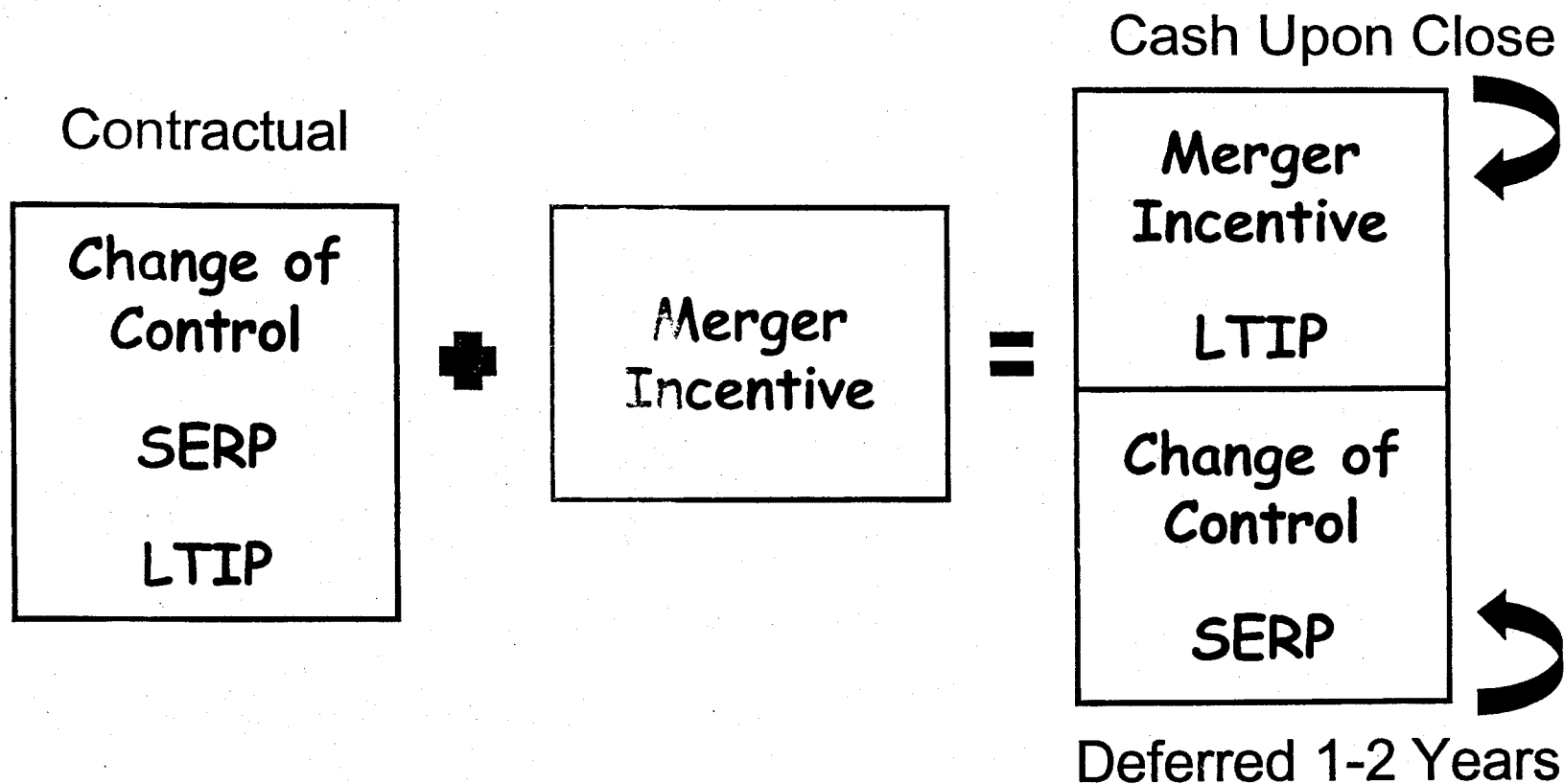
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Possible Payment Structure

- ☐ Condition Precedent - Reserves must be maintained for payouts to occur
- ☐ Initial Milestone (20% of Total Payout)
 - Signing of the Agreement
 - Amendment of Executives' Contracts
- ☐ Final Milestone (80% of Total Payment)
 - Closing



Executive Compensation CareFirst



OCC 016373



Potential Change of Control Payments (Projected as of April 1, 2003)

EXECUTIVE	Jews	Wolf	Kaplan	Devou	Chaney	Picciotto	Vecchioni	Felber	All Other Executives	Total
Prior Earned Compensation										
Accrued Qualified Pension Benefit	0.14	0.17	-	0.14	0.14	0.51	0.31	0.46	0.21	2.07
Accrued Supplemental Pension Benefit	5.25	2.88	0.48	1.25	2.00	1.44	1.04	1.40	-	15.75
Prior Deferred Compensation Bonuses	1.38	0.57	0.15	0.42	0.36	0.31	0.21	0.21	1.08	4.68
Total Prior Earned Compensation	6.77	3.62	0.63	1.80	2.49	2.27	1.56	2.07	1.28	22.50
Payments Due Upon Actual Termination of Employment in Connection with a COC and Substantial Diminution of Duties										
Multiple of Salary and Annual Incentive	5.23	1.31	1.12	1.05	0.99	0.87	0.78	0.81	0.96	13.13
Pro-rated Current Year Annual Incentive	0.16	0.05	0.04	0.04	0.04	0.03	0.03	0.03	-	0.42
Outstanding Long Term Incentive Grants	3.96	1.29	1.26	1.12	1.09	0.84	0.79	0.63	3.49	14.46
Increase in Supplemental Pension Benefit	2.31	-	1.69	0.98	-	-	-	-	-	4.98
Personal and Health Benefits	0.30	0.03	0.03	0.03	0.03	0.03	0.03	0.01	-	0.51
Total Payments	11.96	2.69	4.15	3.23	2.15	1.77	1.63	1.48	4.46	33.51
Total Contractual Obligation	18.74	6.31	4.78	5.03	4.64	4.04	3.19	3.55	5.74	56.01
Merger Incentive (Assuming \$1.3 Billion Transaction)	9.10	3.60	2.30	2.30	2.30	2.80	2.30	-	-	24.70
Retention Bonus for Key Management	-	-	-	-	-	-	-	0.30	7.20	7.50
Total Top Management Payout (Not Including Excise Tax)	27.84	9.91	7.08	7.33	6.94	6.84	5.49	3.85	12.94	88.21

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Public Relations Discussion

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\$1.3 Billion



Associate Retirement +

Retention Bonus



LTI Payout



SERP Payout



COC Payout Neutral to -

